



**Billing Code: 4210-67**

**DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT**

**[Docket No. FR-5735-N-03]**

**Home Equity Conversion Mortgage (HECM) Program: Limit on Insurability of Fixed Interest Rate Products Under the HECM Program – Solicitation of Comment**

**AGENCY:** Office of the Assistant Secretary for Housing-Federal Housing Commissioner, HUD.

**ACTION:** Notice.

**SUMMARY:** On June 18, 2014, the Federal Housing Administration (FHA) issued Mortgagee Letter 2014-11, announcing a limit on the insurability of fixed interest rate mortgages under the HECM program to mortgages with the Single Disbursement Lump Sum payment option. FHA issued this Mortgagee Letter pursuant to the authority granted to it in subsections 202(a) and 255(c) of the National Housing Act and in the Reverse Mortgage Stabilization Act of 2013 to make this change to the HECM program. The limitation on the eligibility for insurance of fixed interest rate mortgages is necessary in order to ensure the financial viability of the HECM program and the Mutual Mortgage Insurance Fund (Fund). These changes took effect for case numbers assigned on or after June 25, 2014. This notice solicits comment for a period of 30 days on the new requirements announced in Mortgagee Letter 2014-11.

**DATES:** Comment Due Date: **[INSERT DATE THAT IS 30 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER.]**

**ADDRESSES:** Interested persons are invited to submit comments regarding this notice to the Regulations Division, Office of General Counsel, Department of Housing and

Urban Development, 451 7th Street, SW, Room 10276, Washington, DC 20410-0500.

Communications must refer to the above docket number and title. There are two methods for submitting public comments. All submissions must refer to the above docket number and title.

**1. Submission of Comments by Mail.** Comments may be submitted by mail to the Regulations Division, Office of General Counsel, Department of Housing and Urban Development, 451 7th Street, SW, Room 10276, Washington, DC 20410-0500.

**2. Electronic Submission of Comments.** Interested persons may submit comments electronically through the Federal eRulemaking Portal at [www.regulations.gov](http://www.regulations.gov). HUD strongly encourages commenters to submit comments electronically. Electronic submission of comments allows the commenter maximum time to prepare and submit a comment, ensures timely receipt by HUD, and enables HUD to make them immediately available to the public. Comments submitted electronically through the [www.regulations.gov](http://www.regulations.gov) website can be viewed by other commenters and interested members of the public. Commenters should follow the instructions provided on that site to submit comments electronically.

**Note:** To receive consideration as public comments, comments must be submitted through one of the two methods specified above. Again, all submissions must refer to the docket number and title of the notice.

*No Facsimile Comments.* Facsimile (FAX) comments are not acceptable.

**Public Inspection of Public Comments.** All properly submitted comments and communications submitted to HUD will be available for public inspection and copying between 8 a.m. and 5 p.m. weekdays at the above address. Due to security measures at

the HUD Headquarters building, an appointment to review the public comments must be scheduled in advance by calling the Regulations Division at 202-708-3055 (this is not a toll-free number). Individuals with speech or hearing impairments may access this number via TTY by calling the Federal Relay Service at 1-800-877-8339 (this is a toll-free number). Copies of all comments submitted are available for inspection and downloading at [www.regulations.gov](http://www.regulations.gov).

**FOR FURTHER INFORMATION CONTACT:** Karin Hill, Senior Advisor, Single Family Program Development, Office of Housing, Department of Housing and Urban Development, 451 7th Street, SW, Room 9280, Washington, DC 20410-9000, telephone number 202-708-4308 (this is not a toll-free number). Hearing or speech impaired individuals may access this number via TTY by calling the Federal Relay Service during business hours at 1-800-877-8337 (this is a toll-free number).

**SUPPLEMENTAL INFORMATION:** On April 1, 2014, Ginnie Mae issued an All Participants Memorandum (APM) announcing that fixed interest rate HECM loans with future draws will be ineligible for securitization through Ginnie Mae programs on or after June 1, 2014. The only fixed interest rate HECM product that will be eligible for securitization through Ginnie Mae programs will be mortgages with the Single Disbursement Lump Sum payment option selected at closing, which was the option that was introduced with the September 30, 2013, program changes. As a result of this change, risk to FHA and the Fund would be increased if FHA were to allow for these other fixed rate products to continue to be eligible for insurance.

The Secretary has a responsibility to ensure that the Fund remains financially sound under subsection 202(a)(3) of the National Housing Act (12 U.S.C. 1708) and the

authority to insure HECMs upon such terms and conditions as he may prescribe to the extent that he determines such mortgages have potential for acceptance in the mortgage market under subsection 255(c)(3) of the National Housing Act (12 U.S.C. 1715z-20). Therefore, to address the increased risk that would be borne by FHA and the Fund as a result of Ginnie Mae's APM, HUD issued Mortgagee Letter 2014-11,<sup>1</sup> which requires all fixed interest rate HECMs to have the Single Disbursement Lump Sum payment option and prevents future draws to the mortgagor after closing. The Reverse Mortgage Stabilization Act of 2013 (Public Law 113-29), which amended section 255 of the National Housing Act by adding a new subsection (h)(3), gives FHA the authority to establish, by notice or mortgagee letter, any additional or alternative requirements that the Secretary, in the Secretary's discretion, determines are necessary to improve the fiscal safety and soundness of the HECM program authorized by section 255 of the National Housing Act.

Comments on the changes announced in Mortgagee Letter 2014-11 will be accepted for a period of 30 days.<sup>2</sup>

Dated: July 1, 2014.

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Carol J. Galante,  
Assistant Secretary for Housing-Federal  
Housing Commissioner.

**[FR-5735-N-03]**

**[FR Doc. 2014-16154 Filed 07/09/2014 at 8:45 am; Publication Date: 07/10/2014]**

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<sup>1</sup> The Mortgagee Letter can be found at <http://portal.hud.gov/hudportal/documents/huddoc?id=14-11ml.pdf>.

<sup>2</sup> HUD will carefully consider the public comments received through this solicitation in the development of a final rule.